

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

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CONMED CORPORATION,

Plaintiff,

vs.

13-CV-1226

IOAN COSMESCU AND I.C. MEDICAL, INC.,

Defendants.
-----x

Motion Argument - March 10, 2015

James Hanley Federal Building, Syracuse, New York

HONORABLE GLENN T. SUDDABY

United States District Judge, Presiding

A P P E A R A N C E S

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1 THE CLERK: Case 6:13-cv-1226; ConMed Corporation
2 versus Ioan Cosmesescu, et al. Counsel, please note your
3 appearance for the record.

4 MR. NOCILLY: David Nocilly, counsel for ConMed
5 Corporation, and Daniel Jonas, Vice President of Legal
6 Affairs, General Counsel, as well as Sarah Olikier, Assistant
7 General Counsel.

8 THE COURT: Who is going to be arguing this
9 morning?

10 MR. NOCILLY: I will be, Your Honor.

11 THE COURT: Okay. And wherever you're comfortable.
12 You can stay there, you can put that microphone up so you
13 don't have to bend over, or you can come up to the podium
14 when you're ready.

15 MR. NOCILLY: Okay.

16 MR. PURCELL: Robert Purcell appearing on behalf of
17 the defendants Ioan Cosmesescu and I.C. Medical, Inc., Your
18 Honor.

19 THE COURT: Good morning. Same to you, as long as
20 you're comfortable, as long as I can hear you, that's what
21 I'm interested in.

22 As far as the oral argument goes, I'll hear your
23 arguments, but as part of those arguments there is some
24 questions, and I think the fair way to do it is I'm going to
25 give you some things that I want to hear about right now.

1 And I'll try and go slowly so you can jot some notes down.

2 And probably is not going to be any surprise, things that you
3 wouldn't anticipate addressing, I'm sure. All right.

4 And this question would be for both parties. Was
5 the GoldVac product sold before September of 2014 the same as
6 the GoldVac product sold on June 7, 2010? I would like to
7 hear your positions with regard to that.

8 Now these two questions are primarily for
9 defendants. On page 5 of the reply argument you argue that
10 the 2010 settlement agreement was the antithesis of
11 transacting business in New York because the covenant not to
12 sue contained therein was merely an agreement that defendants
13 would not do business in New York. Where does it say in the
14 settlement agreement that you would not do business in
15 New York? I would like you to address that.

16 Second question for defendants. On page 7 of your
17 reply memo you argue the extrinsic evidence made and
18 considered in determining the intent of the settlement
19 agreement. But isn't it such resort to intent and extrinsic
20 evidence appropriate only in the event of vagueness or
21 ambiguity? And where is such vagueness or ambiguity in the
22 2010 settlement agreement?

23 Now, for plaintiff, two questions. Setting aside
24 the impact of the Federal Circuit's ruling in *General*
25 *Protecht v. Leviton*, can it be said as a matter of patent law

1 that the defendants owned the '109 patent on June 7, 2010
2 when that patent had not yet been issued, although it had
3 been filed?

4 Next question. How does the fact that the
5 defendants' promise not to sue on the '812 patent or its
6 derivative relatives like '109 form the basis of either, one,
7 plaintiff's claim for declaratory judgment of
8 non-infringement of the '109 patent, or its claim for
9 declaratory judgment of invalidity of the '109 patent?

10 And there will be a follow-up question depending on
11 your response. Does plaintiff intend to move for leave to
12 file a second amended complaint in order to assert a claim
13 more expressly related to the 2010 settlement agreement?

14 Okay?

15 And again, I don't imagine that those are much of a
16 surprise, but those are things that I would like to hear you
17 address and anything else that you feel is appropriate that
18 you need to address or explain to the Court. Counsel, when
19 you're ready.

20 MR. PURCELL: Thank you, Your Honor. May it please
21 the Court. Let's first examine the jurisdictional arguments
22 in the complaint and the amended complaint insofar as
23 personal jurisdiction is concerned. The sole argument is
24 personal jurisdiction is proper in this district by virtue of
25 the defendants' threats of infringement made against ConMed.

1 Upon information and belief, the defendants expected or
2 should have reasonably expected its acts to have consequences
3 in this district and defendants' derived substantial revenue
4 from interstate or international commerce.

5 It's clear that this argument pertains only to the
6 notice of infringement letters, copies of which were attached
7 to the various pleadings of the plaintiff. There is no
8 argument in the complaint or the amended complaint to the
9 fact that the jurisdiction, that is personal jurisdiction, is
10 established in any other way than what is recited as I just
11 quoted.

12 When we examine the evidence of the counts and
13 causes of action in the complaint, their basic counts and
14 causes of action for non-infringement and the allegations are
15 essentially upon information and belief the accused products
16 do not contain each and every element of any one claim of the
17 patent, or the patents are invalid under Sections 102, 103
18 and/or 112 of the patent statutes. 102 is for novelty, 103
19 is for obviousness, 112 is for things like vagueness and like
20 that.

21 None of these arguments relate to an allegation
22 that the defendants are estopped to a certain infringement
23 due to the covenant, that there is implied license due to the
24 covenant, or that they're immune from suit because of the
25 covenant. Nothing within the four corners of the complaint

1 or the amended complaint mentions anything about the covenant
2 either for a jurisdictional basis, personal jurisdiction, or
3 as a basis for the claims in the declaratory judgment
4 complaint and amended complaint.

5 Defendants filed a motion to dismiss for lack of
6 personal jurisdiction based upon long established Federal
7 Circuit law that says that simply sending notice of
8 infringement or cease and desist letters into a forum cannot
9 support personal jurisdiction in that forum over the sender
10 of those letters. When that motion to dismiss was filed,
11 plaintiff awoke to the fact that, oh, yeah, oh, gosh, we've
12 got a problem here. So what did the plaintiff do? The
13 plaintiff then moved to seek permission and leave to take
14 jurisdictional discovery, which was granted. Plaintiff
15 fished around for any number of facts that might support
16 other types of jurisdiction beyond the notice of infringement
17 letters. They found nothing.

18 Plaintiffs filed an opposition to the motion to
19 dismiss and they rely upon not a single other contact of the
20 defendants. There is no products being sold, no
21 distributors, no employees, no agents, no visits, no
22 advertising, no real state, no facilities. Basically nothing
23 that they had beyond what they recited as the notice of
24 infringement letters.

25 I think also it's noteworthy that in the opposition

1 plaintiff did not present any basis for establishing personal
2 jurisdiction over the individual defendant Ioan Cosmescu.
3 All of the support for any jurisdiction allegations were
4 directed to the corporation I.C. Medical, Inc.

5 Realizing then it was skating on thin ice from the
6 personal jurisdiction standpoint, plaintiff then relies upon
7 this covenant not to sue that it already knew about before
8 filing the instant action and contends that, well, this
9 really does establish jurisdiction because this covenant is a
10 business transaction and the cause of action in this action
11 arises from that covenant.

12 Plaintiff's arguments are improper for several
13 reasons. First of all, New York State law and statutes upon
14 which plaintiff is relying doesn't just say, oh, they engaged
15 in a business transaction. No, no, no. The careful wording
16 of that statute concerns a non-domiciliary who transacts any
17 business within the state. Doesn't say engaged in a business
18 transaction with some company that might be based in the
19 state or might affect some company based in the state. It
20 says who transacts any business in the state.

21 This covenant does not amount to any transaction of
22 business within the state. The covenant was negotiated as
23 part of the settlement with the Arizona lawsuit. It was
24 negotiated in Arizona, in a mediation in Arizona. It was
25 signed in Arizona. There was nothing for the defendants to

1 do in New York State in connection with that covenant.
2 Basically had minimal effects in New York State and certainly
3 did not constitute any transaction of business in the state.

4 Moreover, I think it's improper for the plaintiff
5 to even characterize the covenant as a business transaction.
6 It's simply a resolution of a business dispute. And these
7 legal dispute resolutions do not automatically give rise to
8 being defined as business transactions simply because they
9 may involve parties who are engaged in business.

10 Next, the declaratory judgment complaint and the
11 complaint do not arise out of the covenant. As I previously
12 mentioned, the arguments in the complaint and amended
13 complaint do not mention in any way, shape or form the
14 covenant or any alleged rights or immunity under that
15 covenant. They're void of those allegations.

16 Secondly, as we mentioned in our reply papers,
17 there is clear, unambiguous, unrefuted testimony of attorney
18 Laura Zeman-Mullen, who was at the mediation, who did
19 negotiate the covenant to the effect that the plaintiff here
20 was well aware before the mediation and during the mediation
21 of the existence of continuation applications from the
22 patents involved in that lawsuit which might later issue
23 patents and which might cover the product at issue in that
24 lawsuit and perhaps other products too. That was the reason
25 that there is this notice provision in there to the effect

1 that, well, if there is a patent that arises later and we
2 think it covers your product, we will tell you about it and
3 we will try to work things out, we will try to see your
4 contentions of any non-infringement, we will evaluate that
5 and we're not going to just rush off to file suit, have this
6 sort of exchange period.

7 And lastly, Your Honor, we think that from a
8 fundamental fairness standpoint there are several factors
9 that should be considered by the Court. One is the size of
10 the parties. ConMed is a major company. I think it's
11 anywhere about \$800 million. I'm not sure about that exact
12 figure but it's a very large company. The defendants here
13 are a roughly very small company. They have no contacts with
14 New York State other than, you know, allegedly the covenant
15 not to sue and the cease and desist letters. Arizona is
16 thousands of miles away. It's not like we're asking people
17 coming from Pennsylvania or Massachusetts to come to trial
18 here, so we're talking about a major event in having
19 litigation being conducted here.

20 Also, if plaintiff arguably could escape this
21 hearing and at least have this Court rule that there has been
22 a prima facie showing of personal jurisdiction, the question
23 of whether we're just delaying the inevitable, whether once
24 we actually take depositions regarding the covenant and so
25 forth, and things arise and there is a final decision that

1 there is no personal jurisdiction way down the line or an
2 appellate court decides things were wrongly decided, we will
3 just have all wasted a lot of energy and effort in connection
4 with this lawsuit here in Syracuse.

5 There is another appropriate forum. The defendant
6 I.C. Medical, Inc. has filed a patent infringement lawsuit on
7 these patents in the Arizona federal court. That action is
8 being stayed pending the outcome of this Court's decision on
9 the instant motion to dismiss. ConMed certainly has that
10 venue. The parties can fight it out there. It's perfectly
11 appropriate, there is no jurisdictional dispute over ConMed
12 in Arizona. It's a huge company. So there is that forum.
13 It's not ConMed is without a remedy if this Court should
14 grant the motion to dismiss at a minimum on the basis of
15 fundamental fairness.

16 Getting to Your Honor's questions. With regard to
17 the GoldVac product at issue, it is my personal understanding
18 that the product has remained the same from the time of the
19 covenant not to sue to the present, but I defer to the
20 plaintiff's more accurate representation to the Court in that
21 regard.

22 Next you say that on page 5 of the reply brief we
23 contend that the covenant not to sue was actually some sort
24 of agreement not to do business in New York. If we phrased
25 it that way, Your Honor, I apologize. I think that's simply

1 too strong language. It was of buying peace. It was
2 basically saying we're not going to war. There is nothing in
3 the agreement which basically said we're going to do business
4 in New York, that there is ongoing business relationship with
5 ConMed in New York, anything to that effect. And if we said
6 something to the fact that it was an agreement not to do
7 business here, I think that's too strong, I apologize.

8 Next you say on page 7 of the reply brief we
9 introduce this extrinsic evidence of the Laura Zeman-Mullen
10 affidavit and why should extrinsic evidence be considered.
11 First, is the covenant vague and/or ambiguous in some way and
12 does that clarify the vagueness and ambiguity. I think the
13 covenant is very succinct. It's the product of mediation,
14 usually mediation context, not something signed today and put
15 it together. And if you look at the agreement it's not like
16 it's been going through drafts back and forth, back and
17 forth, back and forth. It was the consummation of this
18 mediation and it's in a very succinct format. It seems clear
19 that it's just a covenant as to those two patents.

20 It is the plaintiffs who were contending that it's
21 ambiguous and it should extend to other patents that weren't
22 mentioned in that covenant. So the plaintiff here is
23 injecting the ambiguity, and we are simply rebutting that
24 accusation of ambiguity because we believe the covenant is
25 clear on its face. It mentions two patents, no other

1 patents. It doesn't mention about continuations that
2 plaintiff was aware of before and during that mediation. And
3 so we are not simply saying it's vague, we are simply
4 rebutting the plaintiff's contention that the covenant
5 extends beyond what it says on its face. And what it says
6 should be implied from what is on its face.

7 Your Honor, as far as the ownership of the '109
8 patent, I.C. Medical owned the continuation application at
9 the time of the signing the covenant not to sue that later
10 issued as '109 patent. I personally don't know that
11 information, but I would have considerable confidence that
12 I.C. Medical did own that continuation application later
13 issued as the '109 patent at the time.

14 I think that's all of the questions you asked, Your
15 Honor. If there is anything else you want us to answer.

16 THE COURT: Thank you.

17 MR. NOCILLY: Good morning, Your Honor.

18 THE COURT: Good morning.

19 MR. NOCILLY: Can you hear me okay?

20 THE COURT: I can hear you fine.

21 MR. NOCILLY: Okay. I.C. Medical made a promise.
22 They made a promise that it wouldn't sue a certain of
23 products for infringement, that would be the GoldVac. With
24 respect to the question Your Honor asked about the product,
25 and as the patentee has conceded the products for all intents

1 and purposes are the same. I won't represent that there has
2 been some manufacturing changes that may result in some
3 dimensional or color or that types of things. But for the
4 purposes of the infringement claim and the relevant elements
5 and the way they be analyzed, it's the same product.

6 I.C. Medical's gone back on its word. Sent a
7 series of cease and desist letters, it's accused of
8 infringement after it made that promise to ConMed, a New York
9 resident, domiciled in Utica, 800 employees or so nationwide.
10 It's broken that promise. And now it's here saying it's
11 unfair to have to come to court to New York after it's broken
12 that promise.

13 Our principal basis for jurisdiction is the
14 transacting business standard under New York law and statute.
15 As we indicated in our brief, the traditional test is the
16 *Sunward* factors, the number of factors, none of which are
17 determinative. But what's important is this agreement that
18 was put in place between the two parties, and that's the
19 covenant not to sue. And as we explained, the Supreme Court
20 and the Federal Circuit have agreed and understood that a
21 covenant not to sue is essentially a license. It's a license
22 for that product. It's an ongoing license. It's a license
23 that protects that product from being sold. It's a license
24 that protects that product when it's used or resold by a
25 distributor. And it's a license that protects that product

1 from infringement when it's used by the end user. There is
2 ongoing obligations in this relationship.

3 The covenant not to sue also requires notification
4 with respect to other claims of infringement between the two
5 parties. Not the product, it says the parties. It also has
6 a waiting period for a declaratory judgment action. So both
7 parties knew that there was a possibility that a declaratory
8 judgment action could be filed. Where else would ConMed file
9 a declaratory judgment action? Are they going to go to
10 Arizona? No. They're going to come right here to New York.

11 Additionally, in the covenant not to sue there is
12 obligations that ConMed pay mediator fees. So the covenant
13 required a New York resident to pay costs associated with
14 that settlement. So we have, although it's terse and short,
15 a comprehensive agreement that grants a covenant not to sue
16 for that product and has additional obligations between both
17 parties living in Arizona and here residing in New York.

18 THE COURT: How would you address counsel's
19 argument that it was executed in Arizona, everything occurred
20 in Arizona, there is no contact with New York with regard to
21 that agreement?

22 MR. NOCILLY: That is correct with the negotiation
23 and conclusion of the agreement itself. And we see that
24 those factors considered under the *Sunward* test when those
25 are the New York jurisdictional contacts are that negotiation

1 and contract because there is no other contacts with
2 New York. But here we have the transaction of business
3 through licensing of a New York company. I would submit,
4 Your Honor, that under the *Sunward* factors this ongoing
5 relationship between the two parties and the other payments
6 and obligations are two of the four factors. And what the
7 cases say that apply those, particularly in New York, is that
8 when you have a licensor/licensee relationship, that's good
9 enough. And that's what we saw with two cases that we cited
10 in our brief that involved ASCAP licenses and BMI licenses.
11 In fact, those were third party licenses. And that was
12 sufficient to confer jurisdiction under the transaction
13 business standard. In this case we've got a license that's a
14 transaction directly with the New York resident who is now
15 the one that is the plaintiff in the action.

16 The second part of that jurisdictional inquiry is
17 do the causes of action arise out of those contacts, that is
18 that covenant not to sue. In response to your question, Your
19 Honor, before with respect to amending the complaint,
20 absolutely would we move for leave to amend the complaint.
21 The only defect in this case for jurisdiction was our failure
22 to articulate our legal theory of non-infringement which
23 would be legal estoppel of the supplied license that arises
24 with respect to the covenant not to sue.

25 I know Congress is trying to change the patent laws

1 right now and they would like to make pleading in patent
2 cases have a heightened standard similar to fraud, but the
3 fact remains that it isn't a heightened standard right now.
4 We have a license. One of our legal theories will of course
5 be the legal estoppel that arises from this covenant not to
6 sue. We may also have legal theories based on the absence of
7 one of the required elements of the claims not being present
8 in the devices. Well, we haven't specified which ones we
9 think are absent but that's not really where it belongs.

10 If this Court would find that that's the case,
11 then, yes, we would respectfully request leave to amend the
12 complaint to fervently articulate the covenant not sue as a
13 legal theory of non-infringement based on estoppel. And I
14 believe that satisfied both the *Sunward* test for personal
15 jurisdiction under the transacting business standard.

16 As we all know the New York Long Arm statute does
17 not encompass as much jurisdiction as is available under
18 federal due process, so it's almost inferred that if it's
19 fair under the New York Long Arm statute, that it should be
20 fair under federal due process standard. But the Federal
21 Circuit has some very specific requirements with respect to
22 jurisdiction when we have a patentee that sends cease and
23 desist letters to a resident of the forum where the lawsuit
24 has been filed and impacted a declaratory judgment action.
25 And what the Federal Circuit says is you have to have

1 something beyond just a cease and desist letter. We have
2 that here. We have a license between the two parties. And
3 there have been Federal Circuit cases where licenses that
4 were already terminated, like the *Inamed* case, were held to
5 be sufficient when we have this licensing history between the
6 two parties, and then we have a claim of infringement that's
7 been raised after the license. In this case not only was
8 there a licensing relationship between the parties, that
9 license is the very defense to the infringement allegations
10 that have been made by the patentee. So as a result I think
11 it would be very clear that both under the Federal Circuit
12 standard and New York Long Arm statute that jurisdiction is
13 proper.

14 Now Your Honor had asked about ownership of the
15 patents. And the way the law worked at the time these
16 patents were filed was that the inventor is the putative
17 owner of the patent when it's filed. And that would have
18 been Ioan Cosmescu, one of the co-declaratory judgment
19 defendants in this case. The inventor can assign his rights
20 to a company. And we assume that has taken place. It's not
21 apparent on the face of the patent, but at some point in time
22 either one of the two defendants in this case have been the
23 owner of the patent and are still the owner of the patent or
24 else they wouldn't be able to make the infringement
25 allegations that they've made.

1 And last, Your Honor, I would point out that, you
2 know, the use of parol evidence to try to vary the clear
3 terms of this covenant not to sue would be improper and,
4 frankly, is a matter for summary judgment. Should the
5 patentee decide to defend against the non-infringement legal
6 theory of legal estoppel based on that covenant, then they're
7 free to try to introduce parol evidence to vary the language
8 of that covenant not to sue. But that's not really a matter
9 for a motion to dismiss under the Rule 12(b) standard.

10 I would point out, however, that the language is
11 very clear in that it promises that the GoldVac product will
12 not be sued for infringement. And the very same language in
13 two cases of the Federal Circuit has been held to be
14 sufficient to cover related patents. And the theory there is
15 that when you settle a case and you tell a party that their
16 product is clear from infringement, that you then can't go
17 back on your word. And it doesn't matter if you get more
18 patents, particularly if they cover the same subject matter.
19 If we had changed our product and there were material
20 alterations, then no, the covenant not to sue wouldn't apply.
21 But the Federal Circuit has been very clear on two occasions
22 that once you promise that a specific product is clear from
23 infringement, it doesn't matter how many more patents you may
24 get that cover that same product. Once you made that
25 promise, you can't take it back. Thank you.

1 THE COURT: Thank you.

2 MR. PURCELL: Your Honor, may I have a brief reply?

3 THE COURT: You may.

4 MR. PURCELL: Thank you.

5 THE COURT: Very brief and then I'll give counsel
6 another opportunity. Go ahead.

7 MR. PURCELL: I think it's a mischaracterization to
8 say that the covenant was a license to a product. And there
9 is very easy language to say that if that was what was
10 intended. You say words to the effect that to the extent
11 that I.C. Medical now owns or hereinafter owns any patents of
12 any nature whatsoever, U.S. and foreign, anywhere, or owns
13 applications which later issue as a patent anywhere that
14 might cover the GoldVac product, to that extent the GoldVac
15 product is licensed. It's easy. This is not a covenant
16 where two non-attorneys without legal representation, you
17 know, sort of informally agreed to something trying to figure
18 out what was on our minds. There were attorneys at this
19 mediation. There were attorneys who negotiated this
20 covenant. And if that was the true intent that there is a
21 license as to a product, that could have been easily stated
22 and should have been stated in a much, much different manner.

23 In fact, we indicated that the same parties in yet
24 an earlier filed patent infringement lawsuit settled that in
25 a much more elaborate settlement agreement that did include

1 something called a license and it was a license to
2 continuation applications and patents that might issue from
3 that. So the parties themselves in their own previous
4 dealings were well aware of how to structure that sort of
5 deal if that was in fact what was intended in negotiating
6 consummating the covenant. That was not done. Thank you,
7 Your Honor.

8 THE COURT: Thank you. Counsel, any response?

9 MR. NOCILLY: Your Honor, I won't belabor the
10 issue. The language is plain. The Federal Circuit has ruled
11 on nearly identical language and we believe that parol
12 evidence is inappropriate at this stage of the matter to try
13 to vary the terms of the agreement.

14 THE COURT: Okay. I'm going to just step off the
15 bench for a minute and take just a brief moment with my law
16 clerk and I'll be right back out.

17 (Short recess.)

18 THE COURT: I thank you for traveling to the Court
19 today. I appreciate your arguments. It's been helpful to
20 the Court. I think it's appropriate to be expeditious in
21 this matter for a number of reasons. I'm going to deny the
22 motion to dismiss today. I think a lot of the arguments that
23 the defendants want to address can be revisited in a summary
24 judgment motion should we get to that point. And I also
25 think it's appropriate to be expeditious so that if there

1 should be any appeal, that that can be taken forthwith.

2 So I'm going to deny the motion to dismiss. A
3 short order will be issued so that you can take whatever
4 action you deem is appropriate based on that order. And
5 thank you again.

6 MR. PURCELL: Your Honor, I have one more request.
7 In view of denial of the motion, would this Court entertain
8 certifying this an interlocutory proceeding for purposes of
9 appeal under 28 U.S.C. 1292?

10 THE COURT: I think it best if you submit something
11 in writing and so that they can give a response and it can be
12 addressed and we'll address it. Okay?

13 MR. PURCELL: Yes.

14 THE COURT: Thank you.

15 THE CLERK: Court is adjourned.

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C E R T I F I C A T I O N

I, EILEEN MCDONOUGH, RPR, CRR, Federal Official
Realtime Court Reporter, in and for the United States
District Court for the Northern District of New York,
do hereby certify that pursuant to Section 753, Title 28,
United States Code, that the foregoing is a true and correct
transcript of the stenographically reported proceedings held
in the above-entitled matter and that the transcript page
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A handwritten signature in cursive script, appearing to read "Eileen McDonough", is written above a horizontal line.

EILEEN MCDONOUGH, RPR, CRR
Federal Official Court Reporter